

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX

Survey of European leasing and rental firms

Leaseurope Index
Q2 2023

LEASEUROPE INDEX RESULTS: Q2 2023

The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 19 European lessors on a quarterly basis. This Q2 2023 is the forty-ninth edition of the survey.

Both weighted average and median ratios showed weak and mixed performances in Q2 2023 compared to the same period a year ago. While weighted average profitability and cost of risk slightly improved, both weighted average RoA and RoE worsened. By comparison, median RoE and cost of risk improved, while median profitability and cost of income deteriorated.

Total new leasing volumes reported by the sample of firms increased by 17.3% in comparison to Q2 2022, reaching almost €30 billion. As the outstanding portfolio continued to rise at 5.6% growth in Q2 2023, total risk-weighted assets (RWAs) also increased, at a higher rate of 7.8%.

Profit & profitability

Aggregate pre-tax profit remained relatively stable, experiencing only modest decline of -0.8% in Q2 2023 compared to the same quarter of last year. Operating income also stagnated with a minor contraction of -0.5%. However, weighted average profitability moderately improved compared to the Q2 2022 level, to 53.0% from 52.3%. The median profitability of the 'typical' company in the sample showed the opposite picture in the second quarter of this year, holding at a nearly same level of 52.9%.

Income, expenses & cost/income

Operating expenses experienced a modest increase of 1.1% in Q2 2023 compared to the same period last year. Due to stable income growth, the weighted average cost/income remained at the same level as the corresponding period a year ago, standing at 44.8%. However, the median cost-to-income ratio weakened by 3.3 percentage points, reaching 49.2% in the second quarter of 2023.

Loan loss provision & cost of risk

Loan loss provisions continued to drop by -11.4% in Q2 2023 compared to the same period a year ago. This resulted in an improvement of 0.01 percentage points in the weighted average cost of risk ratio, decreasing from 0.09% in Q2 2022 to 0.08% in Q2 2023. When excluding outlier effects, the median ratio also stood at 0.15% in the second quarter of this year.

RoA and RoE¹ indicators

The weighted average ratios of both RoA and RoE deteriorated in Q2 2023 in comparison with Q2 2022. In contrast, median ratios showed RoA stagnation, while RoE slightly enhanced during this quarter.

Odile de Saivre, CEO of Société Générale Equipment Finance commented, "Various economic headwinds, including the continuous high interest rate and strong inflation environment, have led to a more careful investment attitude from companies and contributed to European leasing industry's challenges in the second quarter and further today. Despite these obstacles, lessors showed resilience by expanding their portfolios while maintaining stable profits. Looking ahead to the remainder of 2023 and the start of 2024, business investment growth is expected to further expand supported by continuous demand. Further headwinds may come should the economy slowdown and the current very low cost of risk situation come to an end. To sustain outperformance, lessors will have to remain focused on leveraging core strengths and expertise in this evolving landscape."

¹ In order to ensure a feasible and comparable data collection across our sample, 10.5% of total risk-weighted assets has been used as a proxy for equity. Therefore, the results reported here for RoE may not be directly comparable to the way leasing firms measure RoE internally or to some other measures of RoE.

Table 1: Aggregate Data, Q1 2022 – Q2 2023²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2023 Q2		2023 Q1		2022 Q4	
	Sum of values (€ millions)	% change versus 2022 Q2	Sum of values (€ millions)	% change versus 2022 Q1	Sum of values (€ millions)	% change versus 2021 Q4
1. Operating income	3,315	-0.5%	3,267	7.4%	3,331	14.8%
2. Operating expenses	1,363	1.1%	1,363	3.0%	1,431	7.4%
3. Loan loss provision	54	-11.4%	74	-44.0%	149	-24.5%
4. Pre-Tax Profit	1,922	-0.8%	1,812	14.1%	1,717	25.6%
5. RWA at end of period	188,886	7.8%	182,202	4.9%	181,819	5.1%
6. Portfolio at end of period	274,237	5.6%	265,907	2.5%	266,650	2.6%
7. New business volumes	29,663	17.3%	25,081	12.3%	31,245	10.9%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2022 Q3		2022 Q2		2022 Q1	
	Sum of values (€ millions)	% change versus 2021 Q3	Sum of values (€ millions)	% change versus 2021 Q2	Sum of values (€ millions)	% change versus 2021 Q1
1. Operating income	3,063	12.3%	3,331	23.4%	3,041	19.6%
2. Operating expenses	1,354	10.3%	1,349	8.8%	1,324	5.9%
3. Loan loss provision	152	19.5%	61	-7.1%	131	-28.0%
4. Pre-Tax Profit	1,538	12.0%	1,938	39.2%	1,588	43.0%
5. RWA at end of period	177,287	3.5%	175,286	3.5%	173,716	2.5%
6. Portfolio at end of period	259,559	2.2%	259,594	1.9%	259,524	2.5%
7. New business volumes	25,542	5.4%	25,297	-4.9%	24,471	2.8%

Table 2: Aggregate Data, 2019 – 2022 Annual³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2022		2021		2020		2019	
	Sum of values (€ millions)	% change versus 2021	Sum of values (€ millions)	% change versus 2020	Sum of values (€ millions)	% change versus 2019	Sum of values (€ millions)	% change versus 2018
1. Operating income	12,840	18.7%	10,817	14.8%	9,425	-2.3%	9,642	3.0%
2. Operating expenses	5,424	8.2%	5,014	5.3%	4,763	-0.9%	4,804	4.5%
3. Loan loss provision	512	-11.2%	577	-70.4%	1,948	77.3%	1,099	45.9%
4. Pre-Tax Profit	6,939	32.8%	5,227	89.8%	2,754	-26.2%	3,733	-7.9%
5. RWA at end of period	181,819	5.1%	173,041	1.1%	171,115	-2.0%	174,571	4.2%
6. Portfolio at end of period	266,650	2.6%	259,881	2.6%	253,226	-1.2%	256,259	5.0%
7. New business volumes	106,178	3.6%	102,473	10.5%	92,756	-12.2%	105,651	4.8%

² Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.

³ The aggregate annual data are shown here as reported in the Q4 2022 survey.

Table 3a: Weighted Average Ratios, 2022 – Q2 2023⁴

Weighted Average Ratios	2023		2022				
	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	53.0%	48.2%	48.5%	47.1%	45.0%	52.3%	45.9%
Cost/Income (%) - operating expenses as a % of operating income	44.8%	47.8%	46.1%	48.0%	46.5%	44.8%	47.3%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.08%	0.11%	0.20%	0.23%	0.23%	0.09%	0.20%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	2.8%	2.7%	2.7%	2.6%	2.4%	3.0%	2.4%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	252	243	267	231	218	277	241

Table 3b: Median Ratios, 2022 – Q2 2023

Median Ratios	2023		2022				
	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	52.9%	50.1%	50.3%	45.7%	45.2%	53.6%	52.9%
Cost/Income (%) - operating expenses as a % of operating income	49.2%	45.3%	47.3%	51.1%	47.4%	45.9%	48.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.15%	0.15%	0.17%	0.26%	0.16%	0.17%	0.10%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.8%	1.8%	1.5%	1.7%	1.5%	1.8%	1.9%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	153	133	141	129	111	148	113

⁴ The profitability and cost/income ratios are weighted by new business volumes, while the cost of risk, RoA and RoE ratio are weighted by the average portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q2 2023 to arrive at the weighted average ratio of 53.0% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2022 – Q2 2023⁵

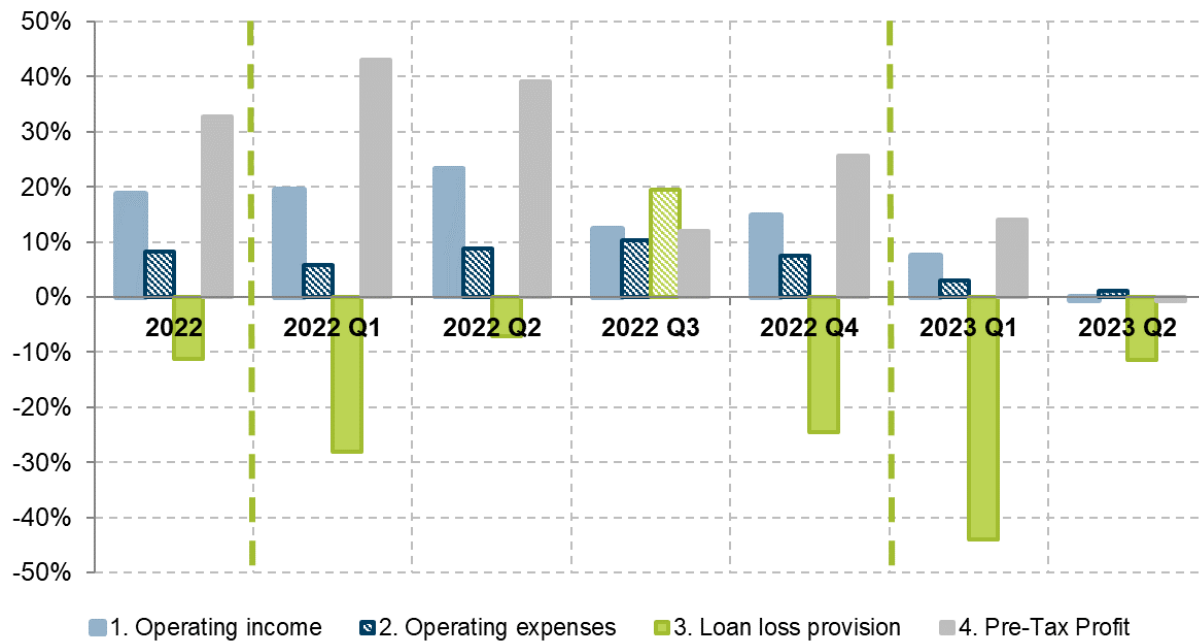
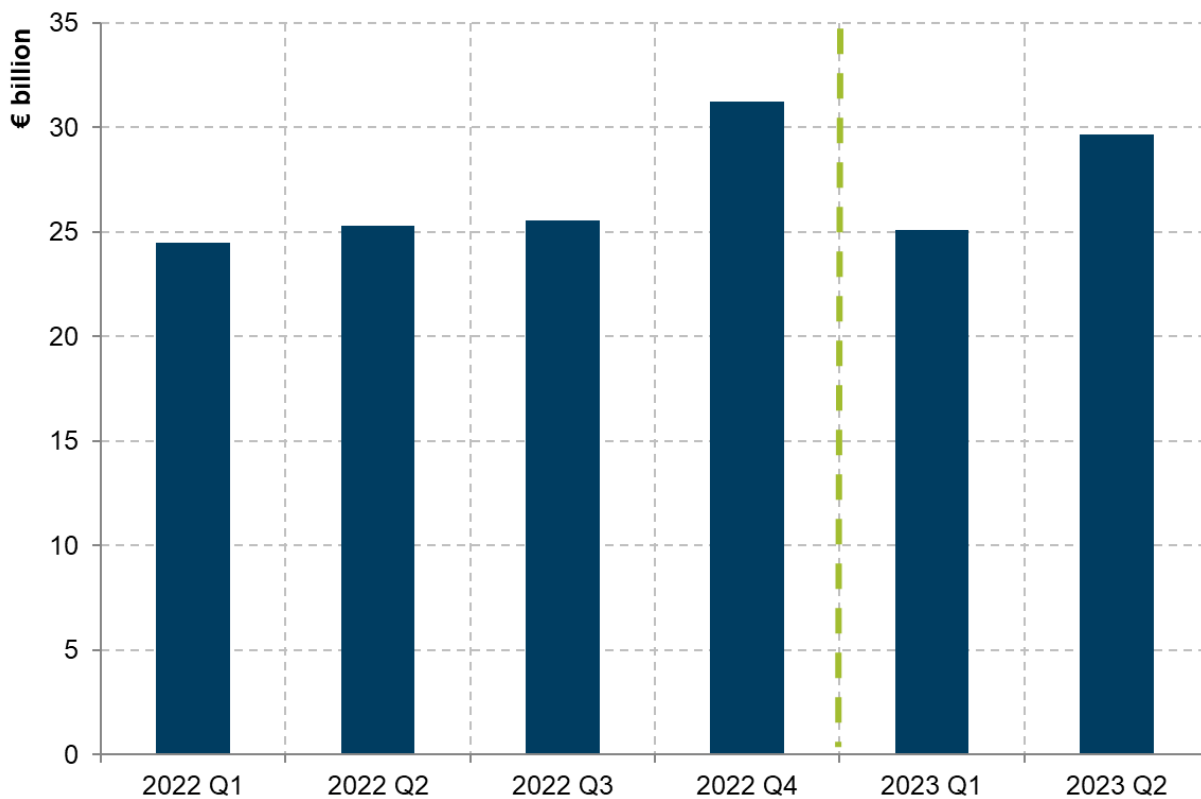


Fig. 2: New Business Volumes, Q1 2022 – Q2 2023



⁵ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

Fig. 3: Profitability Ratio, 2022 – Q2 2023

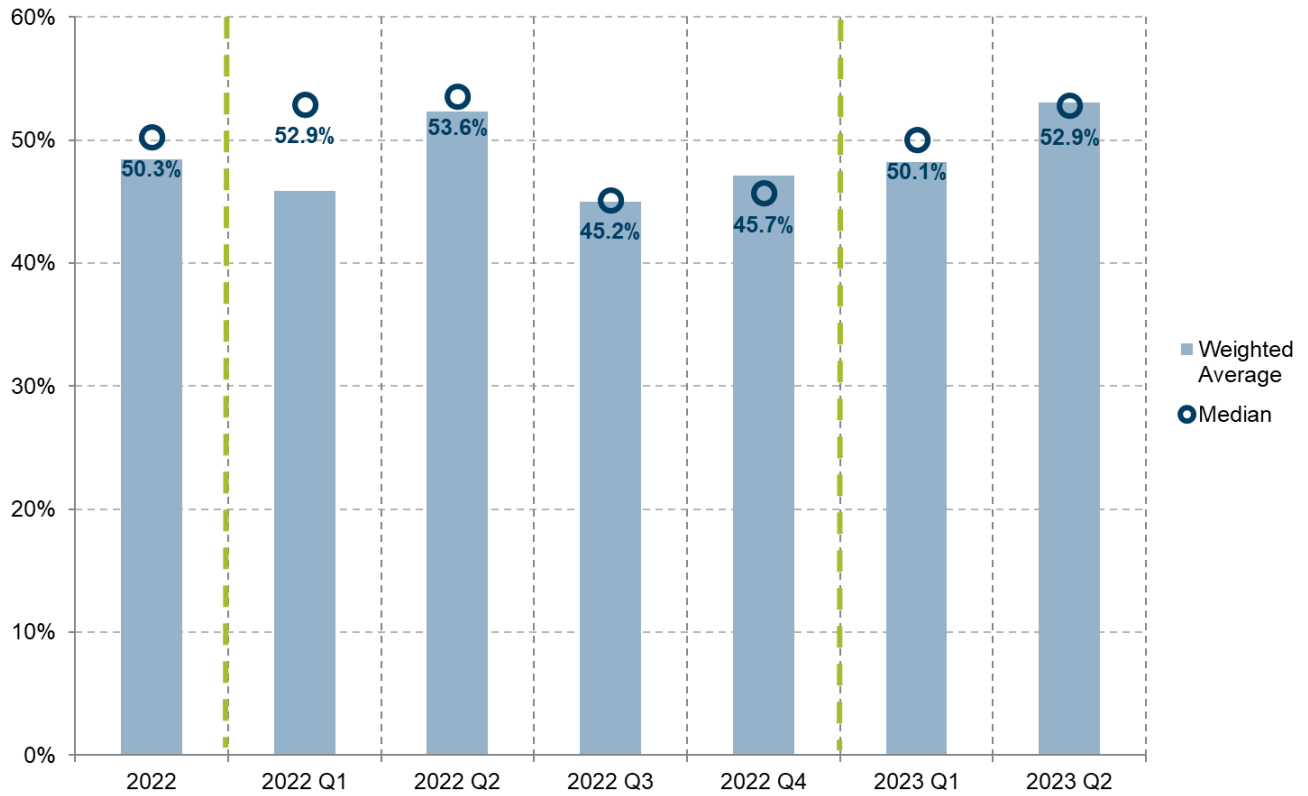


Fig. 4: Cost / Income Ratio, 2022 – Q2 2023

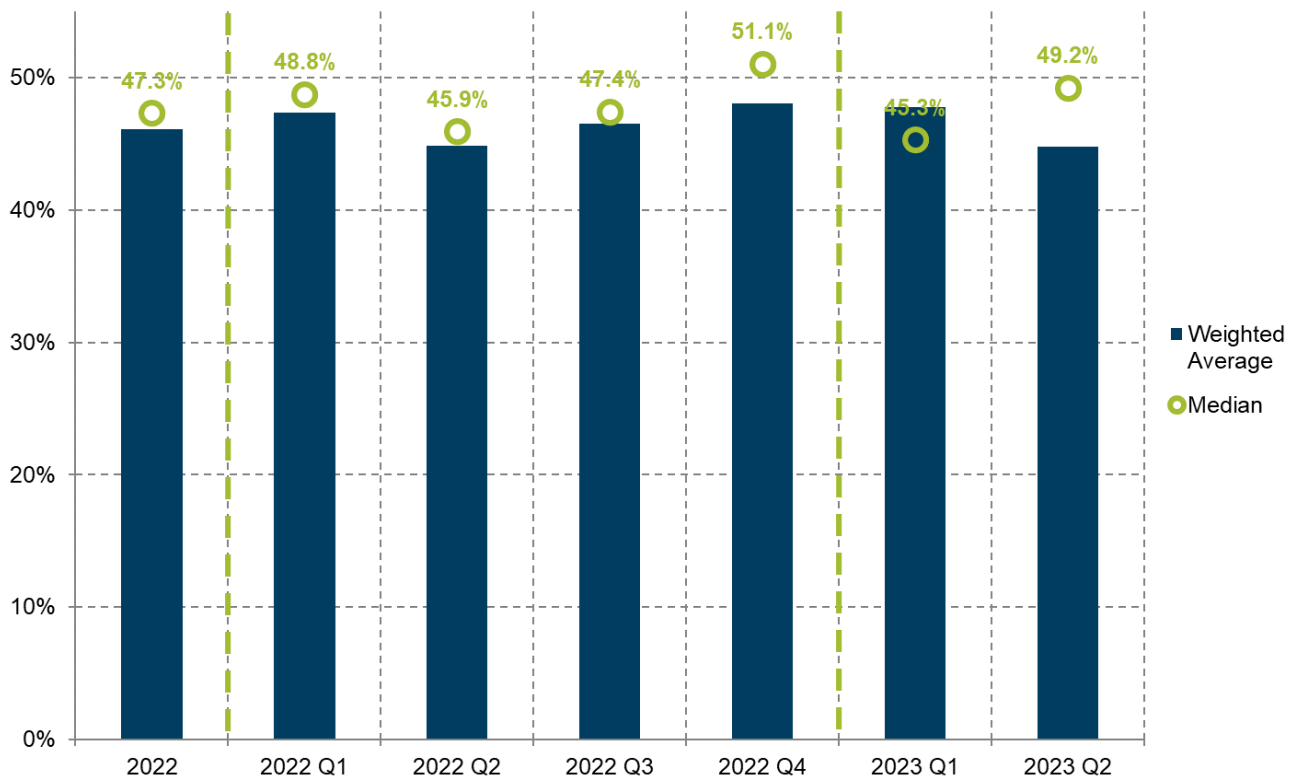


Fig. 5: Cost of Risk Ratio, 2022 – Q2 2023

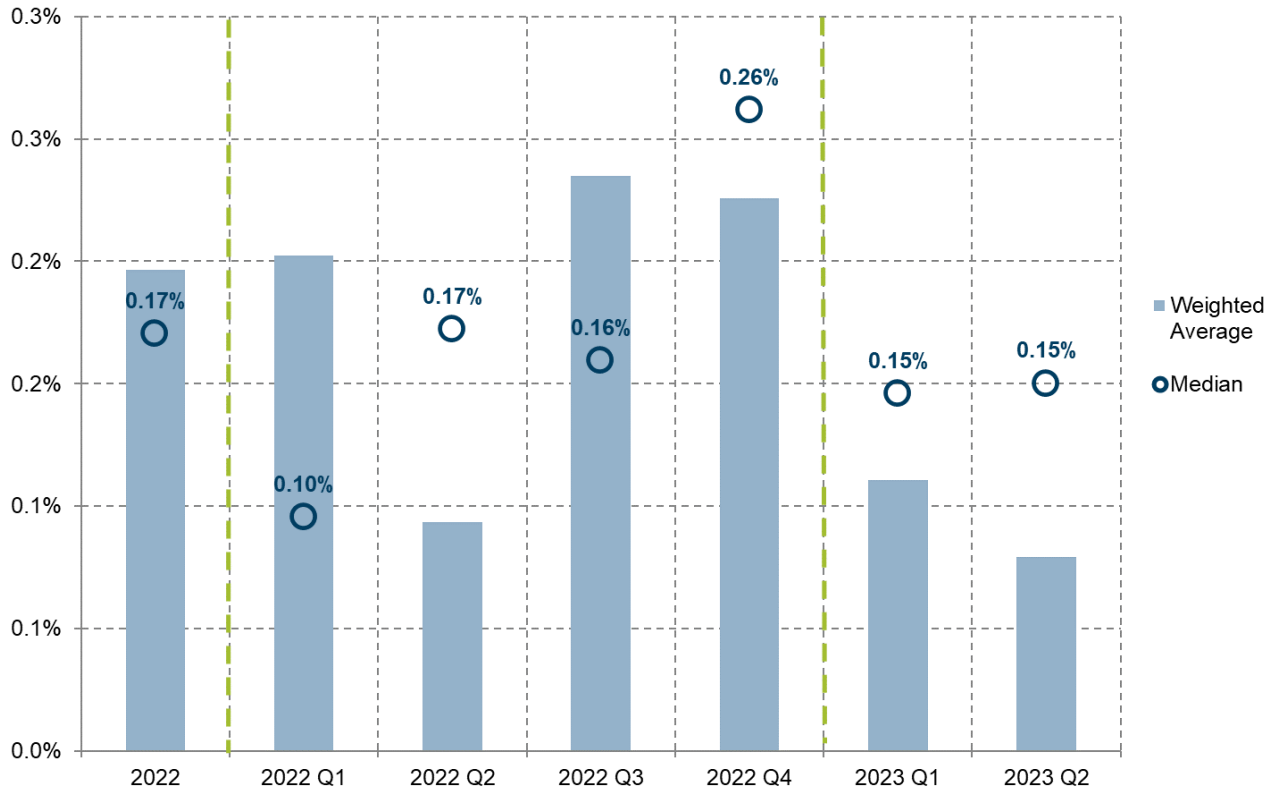


Fig. 6: Return on Assets Ratio, 2022 – Q2 2023

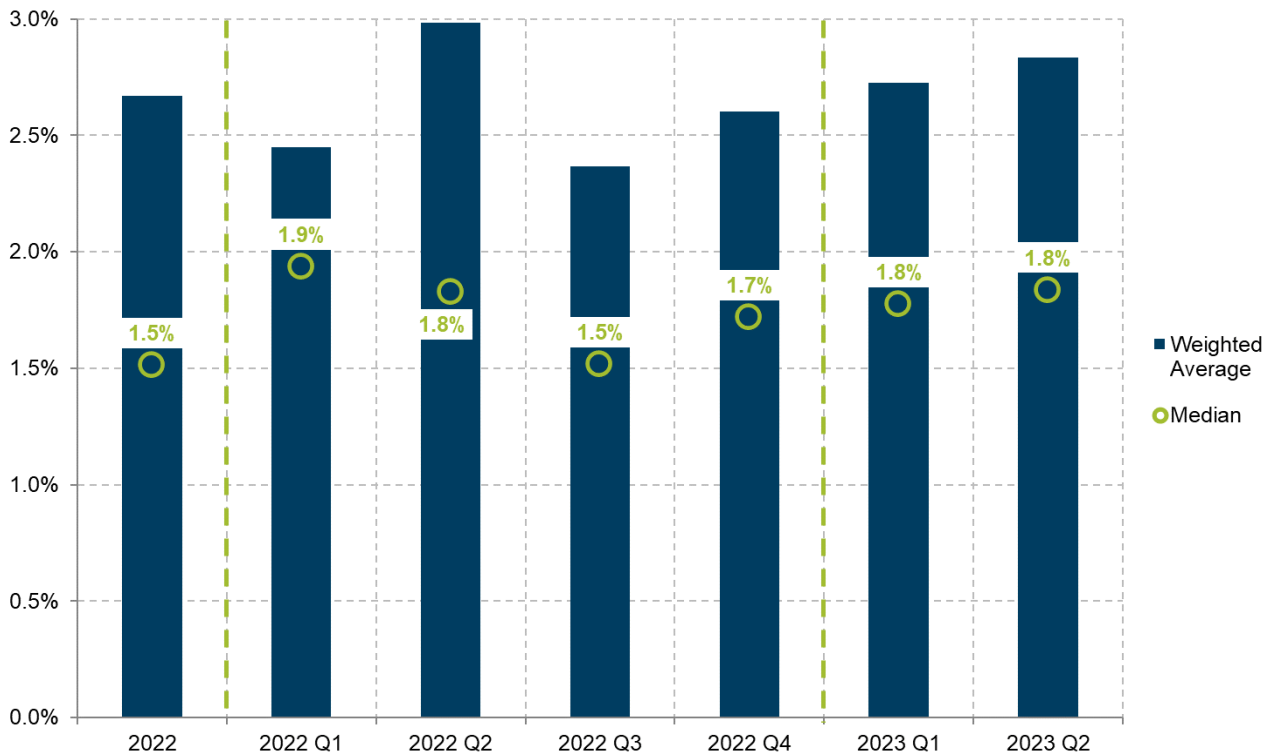


Fig. 7: Weighted Average Return on Equity Index, 2022 – Q2 2023

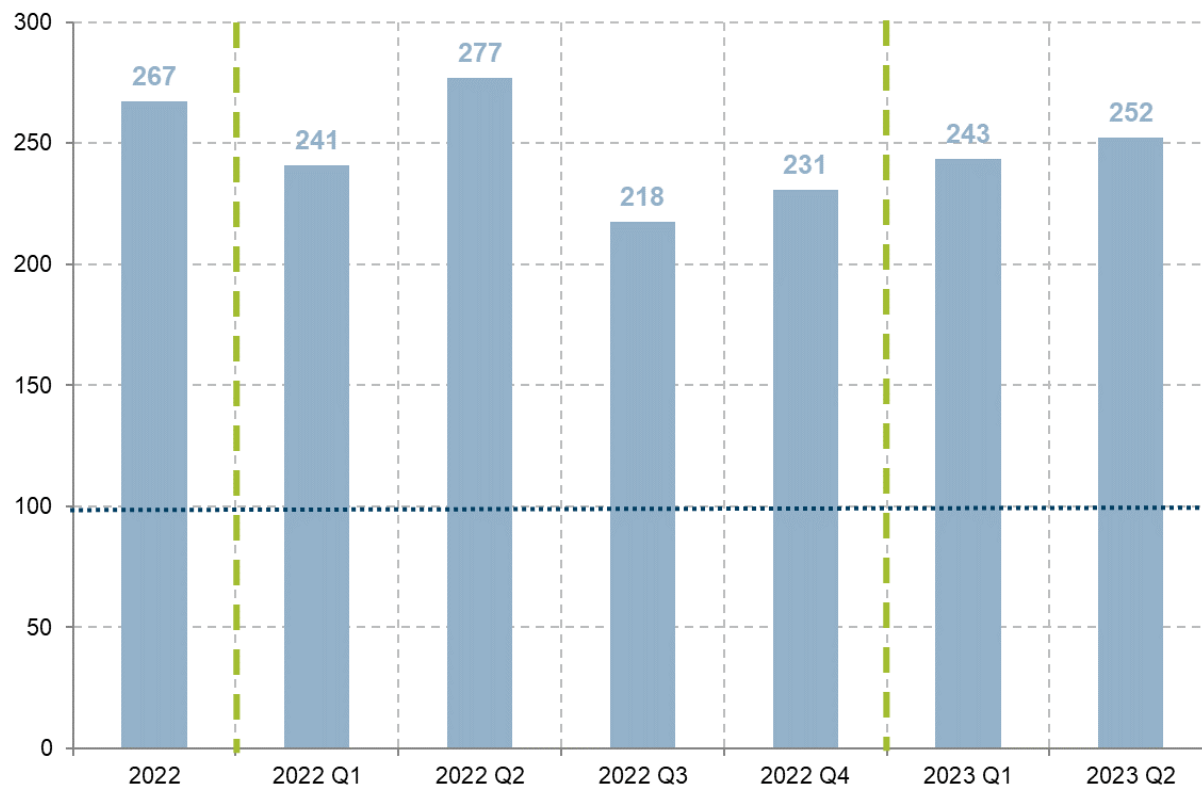


Table 4: Quartiles⁶ for Ratios in Q2 2023

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	16.8%	11.2%	-2.42%	0.3%
Quartile 1 (25%)	37.2%	35.8%	-0.02%	1.3%
Quartile 2 (50%) i.e. median	52.9%	49.2%	0.15%	1.8%
Quartile 3 (75%)	69.5%	59.5%	0.30%	3.2%
Maximum	136.7%	82.8%	1.16%	7.6%
Weighted Average	53.0%	44.8%	0.08%	2.8%

⁶ Quartiles show the value of the boundary at the 25th, 50th, or 75th percentiles of a frequency distribution divided into four parts, each containing a quarter of the values in the dataset. In the table, Quartile 3 (75th percentile or upper quartile) identifies that 3/4 of the population members have a value below this quartile figure. The median value shows the middle value of the 20 observations in the data set. The median is not influenced by outliers at either end of the dataset and can therefore be a useful metric of the ratio of the “typical” company in the sample.

About the Leaseurope Index

Who conducts this survey?

Leaseurope conducts this survey. Individual companies report their figures for each indicator to Leaseurope, which aggregates the results on a confidential basis.

What is the purpose of this survey?

The purpose of the Leaseurope Index is to provide timely and regular information on the European leasing and automotive rental market. This is the only survey to report statistics on both volume of business and value creation metrics at European level.

What indicators are covered by the Leaseurope Index?

The survey tracks operating income, operating expenditure, loan loss provision, pre-tax profit, risk weighted assets, portfolio of leased assets and new business volumes for each quarter.

Definitions:

- 1) **Total operating income:** Net interest income + net fee and commission income + net insurance result + trading profit + other net income (including rental income net of depreciation on operating leases and profit on sales of assets linked to leasing activities)
- 2) **Total operating expenses:** includes inter alia staff costs, other administrative expenses, depreciation and amortisation
- 3) **Loan loss provision:** Net loan loss provision - write offs + recoveries over the period (including write-offs/recoveries of assets)
- 4) **Pre-tax profit:** Total operating income – costs – provisions
- 5) **Risk weighted assets at end of period:** Total risk weighted assets (RWA) as defined by currently applicable prudential requirements (under the approach used by each firm, be it standardised or IRB) at the end of each period
- 6) **Portfolio at end of period:** Total portfolio of leased assets including outstanding loans to customers and assets on operating lease at the end of each period (non-performing loans are included). The figures reflect the depreciated value of assets at the end of the period.
- 7) **New business volumes:** Total value of new contracts approved & signed by both sides (lessor and lessee) during the period during the reporting period, excluding VAT and finance charges

Based on the data provided in millions of euro by each company, Leaseurope calculates weighted average ratios, defined as follows:

Profitability ratio: weighted average of all companies' pre-tax profit as a % of total operating income. The weight used is the new business volume for the relevant period.

Cost/Income ratio: weighted average of all companies' operating expenses as a % of operating income. The weight used is the new business volume for the relevant period.

Cost of risk ratio: weighted average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Return on assets ratio: weighted average of all companies' net profit (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Return on equity index: Indexation of the weighted average of all companies' net profit (annualised) as a percentage of 10.5% of average risk weighted assets over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Which companies take part in the survey?

19 companies participate on a voluntary basis: ABN AMRO Asset Based Finance N.V., Aldermore, Arval, Ayvens (former ALD Automotive I LeasePlan), BNP Paribas Leasing Solutions, Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Hitachi Capital UK, Iccrea Bancalmpresa, ING Lease, Investec, Lombard, Nordea Finance, Siemens Financial Services, Société Générale Equipment Finance, Alba Leasing, UniCredit Leasing, Xerox Financial Services Europe

This sample is broadly representative of the European market in terms of geographic coverage and asset coverage. The sample represents a significant share of the total European leasing market.

How should the survey results be interpreted?

The survey tracks trends in key performance indicators at European level. The results are only presented in aggregate and no inferences can be made about any individual company's performance based on this aggregate data.

Extreme care should be taken in comparing individual company performance with the Leaseurope Index, which spans a sample of lessors active in different market segments. For example, the sample includes general leasing companies, automotive lessors, captive equipment vendors etc. The companies in the sample are also active in different geographic markets.

For this survey, Leaseurope aggregates self-declared information. While the Leaseurope Secretariat monitors the plausibility of the data, this is not audited data. As such, the Leaseurope Index should only be used for indicative purposes and care should be taken in interpreting the results. Although the sample is broadly representative, care should be taken in making inferences about market trends for the industry as a whole.

What is the geographic scope of this survey?

Consolidated figures are reported for the entire European activities of the participating companies. Europe is defined in the widest sense as EU27 + EFTA + other countries e.g. The United Kingdom, Turkey, Ukraine, Serbia, Croatia etc. Each company reports figures in euro regardless of which countries they operate in or which currencies they report in.

What is meant by "leasing"?

The term "leasing" is used in its broadest sense, covering hire purchase, finance and operating leasing which includes long term rental. Leasing is defined according to International Financial Reporting Standards (IFRS16).

When will the next Leaseurope Index results be released?

The survey is conducted on a quarterly basis. For future editions of this survey, Leaseurope aims to publish the results on the [Leaseurope Index website](#) within eight weeks of the close of quarter.

Disclaimer

Please note that the information contained in the Leaseurope Index is of a general nature. Nobody should act upon such information without first seeking appropriate professional advice and after a thorough examination of a particular situation. Neither Leaseurope nor participating companies can be held responsible or liable for any losses or damages of any kind arising out of or in connection with the use of the information contained in the Leaseurope Index.